

Summary Report on Financial Results for Fiscal Year Ended August 2020
(Japanese Accounting Standards)

October 15, 2020

Company name: MEIKO NETWORK JAPAN CO., LTD.
 Stock exchange listing: The First Section of the Tokyo Stock Exchange
 Stock code: 4668 (URL: <https://www.meikonet.co.jp>)
 Representative: Kazuhito Yamashita, President
 Contact: Kouyuki Sakamoto, General Manager, Corporate Planning Department
 Tel: +81-3-5860-2111
 Scheduled date for the ordinary general meeting of shareholders: November 20, 2020
 Scheduled date for filing the securities report: November 24, 2020
 Scheduled date for commencement of dividend payment: November 24, 2020
 Supplementary material development: Yes
 Financial results meeting: None (the explanatory video of financial results will upload on the website later.)

(Amounts less than one million yen are discarded)

1. Consolidated financial results for year ended August 2020 (September 1, 2019 through August 31, 2020)

(1) Consolidated operating results (cumulative)

(Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended August 2020	18,218	(8.8)	214	(87.9)	451	(76.3)	(2,232)	—
Year ended August 2019	19,967	4.5	1,775	23.1	1,907	22.4	958	45.8

(Note) Comprehensive income:

Year ended August 2020: (2,728) million yen, (—%) Year ended August 2019: 1,033 million yen, 2.5%

	Net income per share	Fully diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
Year ended August 2020	(85.21)	—	(18.7)	2.7	1.2
Year ended August 2019	36.08	—	6.7	9.9	8.9

(Reference) Profit or loss on equity method investments:

Year ended August 2020: 12 million yen Year ended August 2019: 8 million yen

(2) Consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2020	14,041	9,473	67.5	377.67
Year ended August 2019	19,765	14,414	72.9	542.21

(Reference) Shareholders' equity:

Year ended August 2020: 9,473 million yen Year ended August 2019: 14,399 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	million yen	million yen	million yen	million yen
Year ended August 2020	140	1,243	(2,063)	6,765
Year ended August 2019	2,505	(347)	(829)	7,445

2. Dividends

	Dividends per share					Total dividends (for the year)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	End of the term	annual			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended August 2019	—	15.00	—	15.00	30.00	796	83.1	5.6
Year ended August 2020	—	15.00	—	15.00	30.00	774	—	6.5
Year ending August 2021 (estimate)	—	5.00	—	5.00	10.00		92.9	

3. Forecast of consolidated financial results for fiscal year ending August 2021 (September 1, 2020 through August 31, 2021)

(Percentages represent increases or decreases from the previous year for the full-year figures.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Second quarter (cumulative)	9,300	(10.8)	667	(47.9)	689	(50.2)	333	(57.9)	13.28
Full-year	18,300	0.4	264	22.9	319	(29.4)	270	—	10.76

(Notes)

(1) Changes of important subsidiaries during the period

(Changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

Exclusion of subsidiaries from consolidation: Youdec Co., Ltd

(2) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of outstanding issues (common stock)

(i) Number of outstanding shares at the end of the period (including treasury stock)

Year ended August 2020: 27,803,600 shares

Year ended August 2019: 27,803,600 shares

(ii) Number of shares of treasury stock at the end of the period:

Year ended August 2020: 2,719,974 shares

Year ended August 2019: 1,246,574 shares

(iii) Average number of shares during the period (accumulated consolidated quarter)

Year ended August 2020: 26,198,740 shares

Year ended August 2019: 26,557,026 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for fiscal year ended August 2020 (September 1, 2019 through August 31, 2020)

(1) Non-consolidated operating results (Percentages represent increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended August 2020	11,796	(8.5)	241	(84.5)	438	(71.3)	(1,673)	—
Year ended August 2019	12,893	(0.8)	1,556	42.9	1,525	25.5	891	32.4

	Net income per share	Fully diluted net income per share
	yen	yen
Year ended August 2020	(63.88)	—
Year ended August 2019	33.55	—

(2) Non-consolidated financial situation

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended August 2020	11,871	9,790	82.5	390.30
Year ended August 2019	16,450	14,007	85.2	527.46

(Reference) Shareholders' equity:

Year ended August 2020: 9,790 million yen Year ended August 2019: 14,007million yen

※ This financial summary falls outside the scope of quarterly review procedures.

※ Explanation of the appropriate use of the forecasts of financial results, and other noteworthy matters

Forward-looking statements in the document, such as earnings forecasts, are based on the information currently available and certain assumptions that the company thinks reasonable. Actual results may differ remarkably from the statements due to variety of different factors.

Due to the influence of spreading of infections diseases COVID 19, it takes time to finalize the financial figures, we delay the announcement of financial statement and decided to stop the financial result meeting for the analyst.

We will upload the explanatory video and materials of financial results on our website on Oct 23, 2020.

(Reference) Trend of numbers of Meiko Gijuku schools and registered students and system-wide sales

Term	35th term		36th term	
	From September 1, 2018 to August 31, 2019		From September 1, 2019 to August 31, 2020	
	Operating results	Same period the previous year	Operating results	Same period the previous year
Number of Meiko Gijuku directly operated schools	221	(12)	244	+23
Number of Meiko Gijuku directly operated schools (MAXIS)	92	(1)	94	+2
Number of Meiko Gijuku directly operated schools (KLINE)	41	(1)	41	—
Number of Meiko Gijuku directly operated schools (KMG)	43	+43	42	(1)
Total number of Meiko Gijuku directly operated schools	397	+29	421	+24
Number of Meiko Gijuku franchised schools ※1	1,540	(121)	1,441	(99)
Total number of Meiko Gijuku schools	1,937	(92)	1,862	(75)
Number of registered students of Meiko Gijuku directly operated schools	15,572	(370)	14,961	(611)
Number of registered students of Meiko Gijuku directly operated schools (MAXIS)	6,821	+269	6,613	(208)
Number of registered students of Meiko Gijuku directly operated schools (KLINE)	2,734	(31)	2,657	(77)
Number of registered students of Meiko Gijuku directly operated schools (KMG)	2,303	+2,303	2,086	(217)
Total number of registered students of Meiko Gijuku directly operated schools	27,430	+2,171	26,317	(1,113)
Number of registered students of Meiko Gijuku franchised schools	85,651	(5,464)	74,956	(10,695)
Total number of registered students of Meiko Gijuku schools	113,081	(3,293)	101,273	(11,808)
Sales from Meiko Gijuku directly operated schools (million yen)	10,639	+1,108	10,297	(342)
Sales from Meiko Gijuku franchised schools ※1 (million yen)	5,035	(206)	4,349	(685)
Sales from Japanese language schools (million yen)	1,361	+43	1,156	(205)
Sales from others (million yen)	2,931	(94)	2,414	(516)
Total Sales (million yen)	19,967	+851	18,218	(1,749)
Sales from Meiko Gijuku directly operated schools (million yen)	10,639	+1,108	10,297	(342)
System-wide sales from Meiko Gijuku franchised schools (million yen)	29,771	(2,335)	26,386	(3,384)
Total system-wide sales from Meiko Gijuku schools ※2	40,410	(1,226)	36,684	(3,726)

※ 1 Sales from Meiko Gijuku franchised schools represent royalty revenues and sales of products.

2 Total system-wide sales from Meiko Gijuku schools represent the sum of total sales of Meiko Gijuku directly operated schools, including tuition, materials and examination fees, and the total sales of Meiko Gijuku franchised schools, including tuition. Materials and examination fees of franchised schools are excluded.

Consolidated financial statements

(1) Consolidated balance sheets

(Million yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Assets		
Current assets		
Cash and deposits	7,495	7,015
Accounts receivable - trade	1,294	845
Securities	200	300
Merchandise	391	137
Work in process	14	11
Supplies	12	7
Advance payments - trade	21	14
Prepaid expenses	280	279
Other	124	282
Allowance for doubtful accounts	(100)	(46)
Total current assets	9,734	8,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,537	1,508
Accumulated depreciation	(821)	(789)
Buildings and structures, net	715	719
Tools, furniture and fixtures	372	350
Accumulated depreciation	(313)	(321)
Tools, furniture and fixtures, net	59	28
Land	446	385
Leased assets	—	10
Accumulated depreciation	—	△0
Leased assets, net	—	9
Total property, plant and equipment	1,220	1,142
Intangible assets		
Goodwill	3,046	277
Software	133	255
Software in progress	125	8
Telephone subscription right	5	4
Total intangible assets	3,311	545
Investments and other assets		
Investment securities	4,075	2,120
Long-term prepaid expenses	68	41
Deferred tax assets	138	198
Leasehold and guarantee deposits	978	1,006
Long-term time deposits	200	100
Other	36	37
Total investments and other assets	5,497	3,504
Total non-current assets	10,030	5,192
Total assets	19,765	14,041

Liabilities		
Current liabilities		
Accounts payable - trade	199	119
Short-term borrowings	132	—
Accounts payable - other	146	134
Accrued expenses	1,209	1,055
Income taxes payable	618	287
Accrued consumption taxes	179	198
Advances received	1,480	1,537
Lease obligations	—	1
Deposits received	124	45
Provision for bonuses	352	423
Provision for sales returns	28	—
Other	35	43
Total current liabilities	4,506	3,847
Non-current liabilities		
Long-term borrowings	64	—
Retirement benefit liability	94	104
Long-term accounts payable-other to employees	111	108
Long-term accounts payable-other to officers	117	117
Deferred tax liabilities	136	32
Lease obligations	—	9
Asset retirement obligations	300	346
Long-term guarantee deposits	17	1
Total non-current liabilities	843	720
Total liabilities	5,350	4,568
Net assets		
Shareholders' equity		
Share capital	972	972
Capital surplus	909	909
Retained earnings	13,317	10,140
Treasury shares	(1,643)	(2,903)
Total shareholders' equity	13,556	9,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	830	342
Foreign currency translation adjustment	12	11
Total accumulated other comprehensive income	843	354
Non-controlling interests	15	—
Total net assets	14,414	9,473
Total liabilities and net assets	19,765	14,041

(2-1) Consolidated statements of income

(Million yen)

	From September 1,2018 to August 31,2019	From September 1,2019 to August 31,2020
Net sales	19,967	18,218
Cost of sales	13,744	13,816
Gross profit	<u>6,222</u>	<u>4,401</u>
Selling, general and administrative expenses		
Advertising expenses	509	405
Promotion expenses	1,138	1,108
Provision of allowance for doubtful accounts	61	19
Remuneration for directors (and other officers)	335	297
Salaries and allowances	396	415
Bonuses	43	37
Provision for bonuses	42	57
Retirement benefit expenses	10	10
Commission expenses	265	270
Depreciation	36	30
Rent expenses	327	344
Amortization of goodwill	459	472
Other	818	718
Total selling, general and administrative expenses	<u>4,447</u>	<u>4,187</u>
Operating profit	<u>1,775</u>	<u>214</u>
Non-operating income		
Interest income	18	16
Dividend income	38	45
Share of profit of entities accounted for using equity method	8	12
Rental income	20	20
Reversal of allowance for doubtful accounts	20	74
Subsidy income	—	55
Other	33	24
Total non-operating income	<u>140</u>	<u>249</u>
Non-operating expenses		
Interest expenses	1	1
Commission for purchase of treasury shares	—	3
Rental expenses	6	6
Other	0	1
Total non-operating expenses	<u>7</u>	<u>12</u>
Ordinary profit	<u>1,907</u>	<u>451</u>
Extraordinary income		
Gain on sales of investment securities	—	994
Total extraordinary income	<u>—</u>	<u>994</u>
Extraordinary losses		
Loss on retirement of property, plant and equipment	6	8
Loss on valuation of investment securities	—	468
Loss on sales of shares of subsidiaries and associates	—	53
Impairment loss	42	2,453
Total extraordinary losses	<u>48</u>	<u>2,983</u>
Profit (loss) before income taxes	<u>1,859</u>	<u>(1,537)</u>
Income taxes - current	901	659
Income taxes - deferred	14	41
Total income taxes	<u>915</u>	<u>701</u>
Profit (loss)	<u>943</u>	<u>(2,238)</u>
Loss attributable to non-controlling interests	<u>(14)</u>	<u>(6)</u>
Profit (loss) attributable to owners of parent	<u>958</u>	<u>(2,232)</u>

(2-2) Consolidated statements of comprehensive income

	(Million yen)	
	From September 1,2018 to August 31,2019	From September 1,2019 to August 31,2020
Profit (loss)	943	(2,238)
Other comprehensive income		
Valuation difference on available-for-sale securities	92	(488)
Share of other comprehensive income of entities accounted for using equity method	(1)	(1)
Total other comprehensive income	90	(489)
Comprehensive income	1,033	(2,728)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,048	(2,721)
Comprehensive income attributable to non-controlling interests	(14)	(7)

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(3) Statement of change in shareholder's equity.

From September 1,2018 to August 31,2019

(Million yen)

	Shareholder's equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	972	909	13,315	(1,643)	13,554	738	14	752	30	14,336
Changes during period										
Dividends of surplus			(956)		(956)					(956)
Loss attributable to owners of parent			958		958					958
Purchase of treasury shares				(0)	(0)					(0)
Change in scope of consolidation					—					—
Net changes in items other than shareholders' equity						92	(1)	90	(14)	75
Total changes during period	—	—	2	(0)	2	92	(1)	90	(14)	77
Balance at end of period	972	909	13,317	(1,643)	13,556	830	12	843	15	14,414

From September 1,2019 to August 31,2020

(Million yen)

	Shareholder's equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	972	909	13,317	(1,643)	13,556	830	12	843	15	14,414
Changes during period										
Dividends of surplus			(796)		(796)					(796)
Loss attributable to owners of parent			(2,232)		(2,232)					(2,232)
Purchase of treasury shares				(1,259)	(1,259)					(1,259)
Change in scope of consolidation			(148)		(148)					(148)
Net changes in items other than shareholders' equity						(488)	(1)	(489)	(15)	(504)
Total changes during period	—	—	(3,177)	(1,259)	(4,436)	(488)	(1)	(489)	(15)	(4,941)
Balance at end of period	972	909	10,140	(2,903)	9,119	342	11	354	—	9,473

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(4) Consolidated statements of cash flows

	(Million yen)	
	From September 1,2018 to August 31,2019	From September 1,2019 to August 31,2020
Cash flows from operating activities		
Profit (loss) before income taxes	1,859	(1,537)
Depreciation	189	195
Impairment loss	42	2,453
Amortization of intangible assets	19	64
Amortization of goodwill	459	472
Increase (decrease) in allowance for doubtful accounts	33	(74)
Increase (decrease) in provision for bonuses	(5)	75
Increase (decrease) in provision for sales returns	(1)	—
Increase (decrease) in retirement benefit liability	7	10
Loss (gain) on valuation of investment securities	—	468
Loss (gain) on sales of investment securities	—	(994)
Loss (gain) on sales of shares of subsidiaries and associates	—	53
Interest and dividend income	(57)	(62)
Subsidy income	—	(55)
Interest expenses	1	1
Share of loss (profit) of entities accounted for using equity method	(8)	(12)
Rental income	(20)	(20)
Rent expenses	6	6
Loss on retirement of non-current assets	6	8
Decrease (increase) in trade receivables	(2)	241
Decrease (increase) in inventories	(25)	(8)
Increase (decrease) in trade payables	14	(37)
Increase (decrease) in accrued consumption taxes	100	26
Increase (decrease) in accrued expenses	136	(76)
Decrease (increase) in other assets	76	(99)
Increase (decrease) in other liabilities	25	(37)
Subtotal	2,857	1,060
Interest and dividends received	60	64
Interest paid	(1)	(1)
Income taxes paid	(410)	(1,038)
Proceeds from subsidy income	—	55
Net cash provided by (used in) operating activities	2,505	140
Cash flows from investing activities		
Purchase of securities	(100)	(100)
Proceeds from redemption of securities	—	100
Purchase of property, plant and equipment	(113)	(151)
Proceeds from sales of property, plant and equipment	—	2
Purchase of intangible assets	(181)	(166)
Purchase of investment securities	(312)	(191)
Proceeds from sales of investment securities	—	1,674
Proceeds from redemption of investment securities	200	200
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(227)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(66)
Loan advances	(1)	(1)
Collection of loans receivable	0	80
Payments of guarantee deposits	(32)	(69)
Proceeds from refund of guarantee deposits	63	14
Decrease (increase) in time deposits	341	(100)
Other, net	16	17
Net cash provided by (used in) investing activities	(347)	1,243
Cash flows from financing activities		
Proceeds from borrowings	240	—
Repayments of borrowings	(112)	(6)
Purchase of treasury shares	(0)	(1,259)
Dividends paid	(956)	(797)
Repayments of lease obligations	—	(0)
Net cash provided by (used in) financing activities	(828)	(2,063)
Net increase (decrease) in cash and cash equivalents	1,328	(679)
Cash and cash equivalents at beginning of period	6,116	7,445
Cash and cash equivalents at end of period	7,445	6,765

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Segment Information

1. Information about Segment Sales and Income (Loss)

Year ended August 31, 2019

(Million of Yen)

	Reportable segment				Others ※1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	10,639	5,035	1,361	17,036	2,931	19,967
Intersegment sales	—	684	—	684	117	801
Total	10,639	5,719	1,361	17,720	3,048	20,769
Segment income(loss)	894	1,993	82	2,970	73	3,044
Other items						
Depreciation	63	55	17	135	42	177
Amortization of goodwill	216	—	169	385	74	459

(Note)

* 1. "Others" consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Sports Business (Meiko Soccer School), Waseda Academy Kobetsu Schools and other businesses of consolidated subsidiaries.

Year ended August 31, 2020

(Million of Yen)

	Reportable segment				Others ※1	Total
	Meiko Gijuku directly operated schools	Meiko Gijuku franchised schools	Japanese language schools	Total		
Net sales						
Sales to third party	10,297	4,349	1,156	15,803	2,414	18,218
Intersegment sales	4	743	—	748	68	816
Total	10,301	5,093	1,156	16,551	2,483	19,034
Segment income(loss)	294	1,428	54	1,778	(276)	1,501
Other items						
Depreciation	69	70	16	156	32	189
Amortization of goodwill	228	—	169	398	74	472

(Note)

* 1. "Others" consists of the operating segments not included in reportable segments. It includes Kids Business (Afterschool), Sports Business (Meiko Soccer School), Waseda Academy Kobetsu Schools and other businesses of consolidated subsidiaries.

2. Reconciliation of Difference Between Reportable Segment Totals and Consolidated Financial Statement Totals
(Matters relating to reconciliation of differences)

(Million of Yen)

Sales	Year ended August 31, 2019	Year ended August 31, 2020
Reportable segment total	17,720	16,551
Sales for "Others" category	3,048	2,483
Intersegment eliminations	(801)	(816)
Net sales in financial statements	19,967	18,218

Income(Loss)	Year ended August 31, 2019	Year ended August 31, 2020
Reportable segment total	2,970	1,778
Income(Loss) for "Others" category	73	(276)
Corporate expenses	(1,269)	(1,287)
Operating income in financial statements	1,775	214

(Note) Corporate expenses are mainly expenses that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.

(Million of Yen)

Other Items	Reportable segment		Others		Reconciliations		Amount in consolidated financial statements	
	total		Year ended August 31, 2019	Year ended August 31, 2020	Year ended August 31, 2019	Year ended August 31, 2020	Year ended August 31, 2019	Year ended August 31, 2020
	Year ended August 31, 2019	Year ended August 31, 2020						
Depreciation	135	156	42	32	11	5	189	195

(Note) The reconciliation for depreciation is mainly depreciation of assets that relate to the General Affairs section of the parent company that are not attributable to the reportable segment.

Per share information

Year ended August 31, 2019		Year ended August 31, 2020	
Net assets per share	542.21 yen	Net assets per share	377.67 yen
Net income per share	36.08 yen	Earnings per share	(85.21) yen

(Note)

1. As there is no potential shares, we do not disclose the diluted net income per share .

(Million of Yen)

	Year ended August 31, 2019	Year ended August 31, 2020
Net income per share		
Profit attributable to owners of parent	958	(2,232)
Amount not attributable to ordinary shareholders	—	—
Profit attributable to owners of parent of ordinary shareholders	958	(2,232)
Average number of shares during the period	26,557,026	26,198,740

Important subsequent events

(Company Split)

According to the Resolution of the Board of Directors on Jul 31, 2020, our company decided to split a part of the Meiko Gijuku business into a new company and the new company "One link Co., Ltd" took over these business.

Corporate profile of new company

Company name: One link Co.,Ltd

Business description: Meikogijuku directly operated schools which operate private tutoring school and sell test and teaching materials.

Head office: Nishishoji 3-1-1, Mino, Osaka, Japan

Representative: Hajime Tabara (President)

Capital stock: 50 million

Succeeded Assets: 105 million

Succeeded Debts: 11 million